

Message Text

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ACTION EB-11

INFO OCT-01 NEA-10 ISO-00 COME-00 TRSE-00 CIAE-00 INR-10

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P 071310Z JAN 74

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USCINCEUR

C O N F I D E N T I A L TEHRAN 0149

E.O. 11652: GDS

TAGS: MASS, EIND, IR, US

SUBJ: GOI INTEREST IN INVESTMENT IN US FIRMS

SUMMARY: GOI WISHES TO INVEST IN US FIRMS WITH PRIMARY OBJECT OF TRANSFERRING MANUFACTURING PLANTS TO IRAN. REQUESTS USG ASSISTANCE IN PREPARING REPORT ON POSSIBILITIES, PROBLEMS, PROCEDURES. ACTION REQUESTED: INITIAL USG REACTION WITHIN ONE WEEK. REPORT PREPARED BY US EXPERTS BY MID-FEBRUARY.

1. GEN TOUFANIAN, VICE MINISTER OF WAR FOR ARMAMENTS, WHO HANDLES MOST IRANIAN PURCHASES OF FOREIGN ARMS AND DIRECTS IRANIAN DOMESTIC ARMS MANUFACTURE, CALLED IN CHIEF ARMISH/MAAG AND EMBOFFS JAN 7 TO DISCUSS GOI INTEREST IN INVESTING IN US FIRMS. ADM. ARDALAN, IRANIAN RESPONSIBLE UNDER TOUFANIAN FOR ELECTRONICS INDUSTRIES WHICH IS PLANNING MANUFACTURING FACILITY WITH WESTINGHOUSE AND HUGHES AT SHIRAZ, ALSO PRESENT. TOUFANIAN SAID HE HAD BEEN DIRECTED BY SHAH TO PREPARE REPORT ON IRAN'S INVESTMENT IN US FIRMS WHICH WOULD TRANSFER THEIR OPERATIONS TO THIS COUNTRY. HE WANTED ADVICE OF USG AS TO HOW TO PROCEED.

2. TOUFANIAN SAID IRAN WISHED TO ENCOURAGE US INDUSTRY TO LOCATE IN IRAN. SPECIFICALLY, IRAN WAS INTERESTED IN (A) ELECTRONICS,
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(B) ELECTRO-OPTICAL, AND (C) AERO-SPACE FIRMS. IN RESPONSE

TO QUESTION, TOUFANIAN SAID HE ALSO WISHED INCLUDE CIVILIAN INDUSTRIES AS WELL AS ARMS MANUFACTURERS. HE NOTED PRIME MINISTER AND MINISTER OF ECONOMY HAD BEEN GIVE SIMILAR ORDERS

BY SHAH AND THEY WOULD CONCENTRATE ON CIVILIAN SECTOR. TOUFANIAN, HOWEVER, CONSIDERS HE HAS BROAD MANDATE FROM SHAH AND WANTS TO PRESENT COMPREHENSIVE REPORT WHICH WOULD INCLUDE FULL RANGE OF MILITARY AND CIVILIAN INVESTMENT POSSIBILITIES.

3. TOUFANIAN SAID GOI WISHED CONSIDER OPPORTUNITIES TO PURCHASE SELECTED DIVISIONS OF US FIRMS WHICH WOULD THEN TRANSFER THEIR OPERATION TO IRAN. AS FIRST PRIORITY, GOIHJAS SEEKING CAPABILITY TO MANUFACTURE COMPLETE WEAPON SYSTEM, NOT MERELY COMPONENTS. FOR EXAMPLE, HE SAID HE HAD ALREADY TALKED TO RAYTHEON AND WAS INTERESTED IN POSSIBILITY OF ACQUIRING PARTNERSHIP IN MANUFACTURE

OF LAND SPARROW AND LANCE. TOUFANIAN KNEW THERE WERE ONLY LIMITED NUMBER OF GYROSCOPE MANUFACTURING PLANTS IN WORLD. ONE OF THOSE PLANTS MIGHT BE MOVED TO IRAN. STILL SPEAKING HYPOTHETICALLY, TOUFANIAN SAID IF USAF DECIDED TO BY C-5, GOI MIGHT BUY INTO LOCKHEED. HE SAID THAT IRANIANS WOULD ALSO CONSIDER PART OWNERSHIP OF FACILITY WHICH CONTINUED OPERATIONS IN US.

3. TOUFANIAN SAID HE HAD ALREADY DISCUSSED PROPOSAL WITH BRITISH AND SUGGESTED, FOR EXAMPLE, BAC MIGHT WISH TO MOVE ONE OF TEN RAPIER ASSEMBLY LINES TO IRAN. TALKS HAD BEEN STARTED WITH WEST GERMANY WITH TOUFANIAN MAKING POINT GERMANS COULD AVOID PROBLEMS WITH FOREIGN WORKERS BY MOVING PLANTS TO IRAN.

4. TOUFANIAN INDICATED IRAN WOULD EXPECT TO MANUFACTURE FOR EXPORT. IN ANY ARRANGEMENT WITH US FIRM, HE WOULD TRUST US COULD IMPORT TRANSFERRED PRODUCT FROM IRAN.

5. STRESSING IRAN DID NOT WISH TO ACQUIRE SUPERFICIAL MANUFACTURING CAPABILITY, TOUFANIAN SAID GOI WANTED TO DO AS MUCH OF OPERATION AS POSSIBLE IN IRAN. HE INDICATED THAT EXCESS COSTS WOULD NOT BE A MAJOR CONSIDERATION AS LONG AS THE PRODUCT WAS "POSSIBLY CHEAPER AT THE END" OF THE INDUSTRY DEVELOPMENT.

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6. WHEN WE ASKED TOUFANIAN HOW MUCH INVESTMENT MONEY IRAN CONTEMPLATED FOR THIS ACTIVITY (WE HAD HEARD \$6-8 BILLION), HE DID NOT REPLY DIRECTLY. FOR THE FISCAL YEAR BEGINNING MARCH 21, 1974, HE SAID HE HAD NOW BUDGETED AND ALLOCATED \$2.2 BILLION FOR PURCHASES IN THE US. HE IMPLIED THAT THE US WAS THE PRIME OBJECT OF IRANIAN INTEREST AND THAT AMOUNT OF MONEY AVAILABLE WOULD DEPEND ON PROJECTS DEVELOPED.

7. WE SUGGESTED TOUFANIWR MIGHT WISH TO ARRANGE WITH US BANK OR INVESTMENT FIRM TO ASSIST WITH COMPLEX NEGOTIATIONS. TOUFANIAN SAID HE WOULD WELCOME ADVICE ON THIS POINT AND WAS THINKING OF ESTABLISHING A JOINT GOI-US FIRM HOLDING COMPANY.

8. TOUFANIAN SAID HE WISHED PRESENT REPORT TO SHAH ON HIS RETURN TO COUNTRY ABOUT MID-FEBRUARY. WE SAID WE WOULD DO BEST TO GIVE HIM USEFUL INFORMATION IN QUICKEST POSSIBLE TIME. WE SAID WE WERE SURE USG WOULD WELCOME IRANIAN PLANS TO INVEST IN US, ALTHOUGH SPECIFIC CASES MIGHT PRESENT PROBLEMS. THERE WOULD ALSO BE VARIETY OF LEGAL AND POLICY QUESTIONS WHICH SHOULD BE THOROUGHLY EXPLORED. TOUFANIAN MADE CLEAR HE WISHED VERY PRECISE AND THOROUGH EXAMINATION OF GOI PROPOSAL.

9. COMMENT: IT WILL BE CLEAR FROM FOREGOING THAT GOI --AND WEAAARE GROING FOR HELP ON THIS PROPOSAL. ONE POINT EMERGED FROM THIS AND RELATED DISCUSSIONS: PROPOSAL HAS HIGHEST GOI BACKING AND WILL BE PUSHED RELENTLESSLY. WE HOPE DEPARTMENT CAN URGENTLY ORGANIZE INTER-AGENCY CONSIDERATION OF PROBLEMS. ON PRIVATE-SECTOR SIDE DEPARTMENT MIGHT WANT TO CONSULT BUSINESS COUNCIL WHICH COMPOSED OF U.S. INDUSTRY LEADERS. ITS ADDRESS IS 888 17TH ST., WASHINGTON, D.C. IF NECESSARY, GROUP OF EXPERTS COULD VISIT IRAN. OTHERWISE WE WOULD BE HAPPY TO SEEK ANSWERS TO SPECIFIC QUESTIONS. TO GIVE GOI SENSE OF OUR ATTENTION TO PROPOSAL, WE WOULD LIKE TO GO BACK TO TOUFANIAN IN WEEK'S TIME WITH INTERIM WASHINGTON REACTION. A REPORT, IF NOT FINAL ONE, SHOULD BE READY BY MID-FEBRUARY. HELMS

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